

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 95-461-E - ORDER NO. 95-784
MARCH 29, 1995

IN RE: Application of Carolina Power) ORDER GRANTING
& Light Company for Authority) AUTHORITY TO ISSUE
to Issue and Sell Additional) AND SELL ADDITIONAL
Securities (Long-Term Debt)) SECURITIES (LONG-
) TERM DEBT)

This matter comes before the Public Service Commission of South Carolina (the Commission) upon Application of Carolina Power & Light Company (Company), filed on March 1, 1995, requesting authority to issue and sell additional securities in the form of long-term debt.

FINDINGS OF FACT

1. The Company's correct name and post office address is Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The name and post office address of its attorney is Adrian N. Wilson, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the State of North Carolina, with its principal office at 411 Fayetteville Street, Raleigh, North Carolina, where it is engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at December 31, 1994 consisted of Common Stock with a stated value of

\$1,510,956,110 and Preferred Stock having a stated value of \$143,800,900. As of December 31, 1994, the retained earnings of the Company were \$1,280,960,236.

The Company's existing long-term debt at December 31, 1994, consisted of principal amounts of \$2,288,806,000 in First Mortgage Bonds and \$545,049,000 in other long-term debt. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W.T. Cunningham, who presently is acting as Individual Trustee, as supplemented by sixty-three Supplemental Indentures.

3. The Company presently projects that its capital requirements will total approximately \$713 million in 1995 and \$602 million in 1996.

4. Pursuant to the provisions of its Charter and for the purposes hereinafter stated, the Company proposes to issue and sell additional long-term debt securities in an amount not to exceed \$250,000,000. The Company also has \$450,000,000 in long-term debt available for issuance pursuant to Order of this Commission dated October 21, 1993 in Docket No. 93-609-E, and Registration Statement No. 33-50597 on Form S-3 filed on October 14, 1993 with the Securities and Exchange Commission. Together with the amount of additional long-term debt proposed in the Company's application, the Company would have available for issuance an aggregate of \$700,000,000 in long-term debt.

The Company intends to sell the proposed long-term debt

securities during the effective period of a shelf Registration Statement that the Company intends to file with the Securities and Exchange Commission in connection with the registration of such securities. Said shelf Registration Statement would include a combined prospectus relating to \$700,000,000 principal amount of long-term debt securities, of which \$450,000,000 of such long-term debt securities were registered on Registration Statement No. 33-50597.

5. The Company will consider the issuance of First Mortgage Bonds, including secured medium-term notes, debt instruments sold to European investors ("Eurobonds"), unsecured debt, or other forms of long-term debt securities not specifically referenced herein. The Company continuously monitors rates, terms and conditions of alternative forms of debt financing and will determine which type of security offers the most favorable terms to the Company. In general, the Company will only consider issuing additional long-term debt securities for refunding purposes when a new issue can be priced at least .5% below the break-even rate of the issue to be refunded and if the refunding yields net present value savings of \$500,000 or more. (Break-even rate includes consideration of call premium and issuance expenses.)

6. The Company proposes to issue the additional long-term debt securities either in discrete financing transactions or pursuant to a continuous offering program. Under a continuous offering program involving First Mortgage Bonds, secured medium-term notes would be continuously offered and issued in an amount deemed appropriate and necessary by the Company but in no

event exceeding the amount authorized pursuant to the Company's application. Such a continuous offering program, if implemented, would be similar to the secured medium-term note offerings of the Company previously authorized by this Commission.

7. The Company proposes to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance in accordance with the terms thereof. The interest rate will be determined by the Company at or prior to the sale of the bonds. The Company intends to determine the method of sale and the financial institution(s) which will offer the most favorable terms to the Company.

8. To the extent the proposed long-term debt securities are the Company's First Mortgage Bonds, they will be created and issued under and subject to, the provisions of the Company's Mortgage and Deed of Trust dated as of May 1, 1940 to the Bank of New York (formerly Irving Trust Company) and Frederick G. Herbst (W.T. Cunningham, Successor), as Trustees, as heretofore supplemented and as to be further supplemented by a Supplemental Indenture to be executed in connection with their issuances.

9. To the extent the proposed long-term debt securities are subordinated, they would likely take the form of Monthly Income Debt Securities (MIDS). The important features of MIDS are deep subordination, an interest deferral period of up to five years, and a maturity of thirty years or longer. These features are designed to achieve equity treatment (similar to preferred stock) from

rating agencies and tax-deductibility of interest from the Internal Revenue Service.

10. The Company estimates that it will incur expenses, excluding underwriting fees, in the range of approximately \$300,000 in connection with a private placement of debt securities or a public offering of the First Mortgage Bonds. Underwriting fees may vary significantly depending on the terms of the offering.

11. For any First Mortgage Bonds sold, the Company proposes to create, execute and deliver additional Supplemental Indentures to the Mortgage and Deed of Trust dated as of May 1, 1940, to The Bank of New York (formerly Irving Trust Company) and Frederick G. Herbst (W.T. Cunningham, Successor), as Trustees.

12. In the period from July 1, 1993, through December 31, 1994, the Company's construction expenditures for additional electric plant facilities totaled approximately \$520,979,209. Attached to the Company's application as Exhibit A is a statement of such construction expenditures on which the source of funds for the payment thereof is shown.

13. Pursuant to Order No. 91-72 in Docket No. 91-032-E, the Commission requires all electric utilities to provide information responsive to certain questions listed in the Order. The Company's responses to each of those questions is as follows:

- a. The effects of the proposed issuance on the income statement and balance sheet of the Company are shown in Exhibit B attached to the Company's application.
- b. The net proceeds to be received from the proposed issuance of not to exceed \$250,000,000 in additional

long-term debt securities will be used for (i) the Company's ongoing construction and maintenance program, (ii) general corporate requirements including the repayment of short-term debt, and (iii) the refunding of outstanding issues of First Mortgage Bonds, preferred stock or other debt securities having rates higher than market rates determined at the time of sale of the additional long-term debt securities.

- c. If the proposed issuance and sale of additional long-term debt securities is not approved on the conditions set forth above, the Company may not be able to take advantage of financial market and liability management opportunities resulting in higher costs to the Company and its ratepayers.
- d. The expected effective interest rate of the additional long-term debt securities issuance will depend upon market conditions and the terms of the offering at the time the debt is issued.
- e. The issuance of long-term debt securities benefits the Company by enabling it to achieve the purposes set forth in subsection b. above. Underwriting expenses will be dependent upon market conditions and the terms of the offering at the time the debt is issued.
- f. The impact of the proposed issuance on the Company's capital structure at December 31, 1994, is shown below. Actual amounts are reflected in the "Per Books" column and adjusted amounts, which include the effects of the

proposed issuance, are reflected in the "As Adjusted" column.

	<u>Per Books</u>	<u>As Adjusted</u>
Common Stock Equity	49.2%	43.0%
Preferred Stock - Redemption Not Required	2.7	2.4
Long-Term Debt	48.1	54.6
Total	<u>100.00%</u>	<u>100.00%</u>

14. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

15. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

16. We approve this financing based in part on assurances from CP&L that the Internal Revenue Service would allow interest expense to be tax deductible, and that the rating agencies would not lower CP&L's bond rating as the result of issuing \$250,000,000 in subordinated debt.

CONCLUSIONS OF LAW

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the proposed issuance and sale of additional long-term debt of not more than \$250 million;

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its

public service; and

- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED THAT:

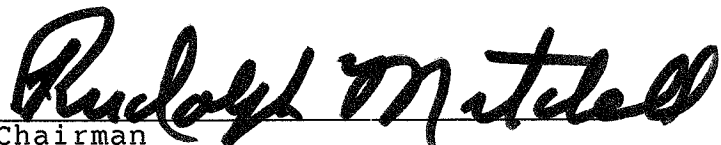
1. Carolina Power & Light Company be and hereby is authorized, empowered and permitted: (i) to issue and sell additional long-term debt not to exceed \$250 million pursuant to the terms and conditions described herein at such times as the Company may deem necessary or advisable, and (ii) to execute and deliver such instruments, documents and agreements as shall be necessary or appropriate to effectuate such transaction or transactions.

2. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

3. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)